NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

Activity Plan

Year Ending March 31, 2008

BOARD OF TRUSTEES
NEWFOUNDLAND AND LABRADOR CONSOLIDATED SINKING FUNDS

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING
CORPORATION SINKING FUND

DEBT MANAGEMENT DIVISION
DEPARTMENT OF FINANCE
CONFEDERATION BUILDING
P.O. BOX 8700
ST. JOHN'S, NL
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February 13, 2008

Message from the Board

I am pleased to present the Activity Plan for the Newfoundland and Labrador Government Sinking Fund for the 2007/08 fiscal year.

The Newfoundland and Labrador Government Sinking Fund administers the sinking funds established by the Province of Newfoundland and Labrador for the repayment of the Province's debenture debt. Consistent with Government's Strategic Direction for the Department of Finance with respect to Financial Management, the effective investment and control of these trusteed funds contributes to the Department's responsibilities with respect to stewardship of public money and management of the funded debt.

This plan provides an overview of the Newfoundland and Labrador Government Sinking Fund and identifies key issues for the Board of Trustees during the fiscal periods covered in the Plan.

The Board of Trustees is accountable for the preparation of this Plan and for the achievement of its objectives.

Terry Paddon
Chairman

1.0 Overview

The Newfoundland and Labrador Government Sinking Funds was created pursuant to the *Financial Administration Act* to consolidate and administer sinking funds established for the repayment of the Province's debenture debt. The Province has established sinking funds for all of its long term debenture issues and the annual contributions to these sinking funds are invested by the Board of Trustees of the Newfoundland and Labrador Consolidated Sinking Funds, appointed by the Lieutenant Governor in Council to manage and control the day to day operation of the sinking funds. The Board of Trustees consists of the incumbents in five senior public service positions with the Department of Finance.

The Newfoundland and Labrador Government Sinking Fund operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

2.0 Mandate

The mandate of the Board of Trustees is to manage and control the operational activities of the Newfoundland and Labrador Government Sinking Fund and the sinking funds of certain Crown corporations where the Province has guaranteed the related debt (i.e. Newfoundland and Labrador Municipal Financing Corporation and the Eastern Regional Integrated Health Authority). These activities include setting investment policy, investment of trusteed funds and the monitoring of such. These trusteed funds are invested in accordance with the *Financial Administration Act,* primarily in bonds, debentures or other securities issued or guaranteed by the Government of Canada, the government of a province of Canada, or a chartered bank, with the goal of earning the maximum return from investment of the portfolio while ensuring security of the funds.

3.0 Sources of Funding

For debenture issues which have sinking fund requirements, the Province makes the required sinking fund payments to the Board of Trustees. In both 2006-07 and 2007-08, these sinking fund payments amounted to some $43 million annually. The sinking

fund contributions are invested and the interest earnings, less an amount to cover administrative costs, are re-invested.

The Newfoundland and Labrador Government Sinking Fund's day-to-day activities are managed by employees of the Department of Finance and the Sinking Fund is invoiced quarterly by the Province for reimbursement of these expenses on a cost-recovery basis.

4.0 Issue

The Newfoundland and Labrador Government Sinking Fund supports the Department of Finance in its responsibilities related to stewardship of public money and fiscal management by the investing of trusteed funds in accordance with parameters set out in the *Financial Administration Act*. A review of the investment strategy of the fund has not been undertaken for some time.

Objective

By March 31, 2008, the Newfoundland and Labrador Government Sinking Fund will have completed a review of the current investment strategy of the Sinking Fund, with a view to determining if the legislative parameters and operating policies are overly restrictive, thereby impacting investment activities and returns.

Measure:	Report on Investment Strategy of Sinking Fund
Indicator:	Review of the report completed.